

THOMAS M. SALMON, CPA  
STATE AUDITOR



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

December 29, 2008

Rep. Shap Smith  
369 Farm Hill Road  
Morrisville, VT 05661 e-mail: [ssmith@leg.state.vt.us](mailto:ssmith@leg.state.vt.us)

Dear Shap:

Just a note to say congratulations on your nomination as Speaker of the House, and to wish you a Happy and Successful New Year.

Connecting to Vermont from this distance, I can sense the pressure that legislators will be under in crafting a State response to the economic downturn and a new fiscal reality in America. I'd like to help in any way I can from here, and in person when I return from duty in March.

Our staff has recently worked with KPMG on completing the annual audit of the State's financial statements. Chief Auditor Tanya Morehouse can give you a short briefing at your convenience. She might have some insights into the financial situation that come out of the audit process – information that might complement what you are getting from Steve Klein or Jim Reardon. Please call her or Deputy Auditor George Thabault (828-2281) if you would like to pursue this informal briefing.

From my time as Auditor and from campaigning around the State in the past, I believe that Vermonters generally supported most of state government and our programs, but today many citizens are hurting financially and many more are uncertain of their economic future in 2009 and beyond. There will be pressure from all sides. Small chips here and there will do nothing but waste precious time.

Thus, we have an important role to play now – standing up on behalf of the most vulnerable in our State while keeping the public's confidence that we understand the fiscal situation and can act in recognition of what is happening financially in Vermont households. We will continue to remind people of the large and critical role that State government plays in making Vermont a good place to live and work.

Costly state programs deserve scrutiny in times like these, of course, but that process should include clients, state workers, the public and both sides of the aisle. It's hard to do comprehensively on a short timeline. Education costs are also a constant concern and don't seem to be part of our current budget crisis thinking, but property taxes are what people have in front of them as a big concern. We need to tell people the truth, in advance, that we are going to be making brave decisions with them.

A fiscal crisis can be painful if there are job cuts and program reductions, but there are some potential long-term policy changes we can make only when a crisis provides the political will and unity to enact them. I have attached a candid list of items that need consideration – sooner rather than later. I hope people will recognize these types of opportunities, and give you steady support to get them on the table for action.

Again, good luck to you in the weeks ahead. I hope to send more thoughts as my return approaches. Feel free to e-mail me anytime; my time at the desk here is limited but I'll do my best to get back to you promptly.

Sincerely,

Tom

cc: Sen. Peter Shumlin [senprespt@leg.state.vt.us](mailto:senprespt@leg.state.vt.us)

encl: comments for Vermont decision-makers - share with anyone

VT Decision-makers:

Have you considered these items again as you develop priorities and prepare to make a variety of decisions to benefit and preserve the state? I have said since 2006, "These are not ordinary financial times." Therefore, ordinary thinking won't cut it.

Operational:

1. 4 year Term for statewide officers and Legislature – for better decision-making and fiscal management through sustained attention.
2. 2 year Budget- similar reason – An opportunity to improve planning and evaluation, focus, efficiency, effectiveness.
3. Unemotional and productive activity during this urgent session laced with fiscal priority. Address Yankee swiftly without a lot of nonsense. Address Gay Marriage seriously 2/1/2012.

Moderate:

4. Contingency planning; Prepare for large changes on the Medicaid front which will impact every state program on some level.
5. 10 cent gas tax now - revisited 1/1/2013
6. 3% State income tax increase for individual and household on income over 100k for the next 4 years with Sunset (Snelling esq)
7. Repeal the capital gains exclusion for the next 4 years (Snelling type as well)
8. Be prepared for a tax on services (Engineers, Accountants, etc) 5 years from now. Set up a task force for a better tax system beginning 1/1/2014. (Income sensitivity a shell game - Unless Federal Revenue Sharing returns)
9. Consider a state-owned casino in a resort area like Killington with net profits directly to roads, bridges and infrastructure.

Severe:

10. Reduce Ed Fund 10% beginning 2011.
11. Eliminate Income Sensitivity beginning 2012 except for certain seniors (net asset test).
12. Address unsustainable Special Ed costs and unfunded mandates, NCLB; consider withdrawing from Federal involvement without fairness by 2015.

13. Consider serious redesign to public education by 6/30/2016 that includes a single state teacher contract, local options for independence, teacher division under the VSEA, streamlined benefit and financial management.

Always:

14. Remember that our state Motto is *Freedom and Unity*. With rigorous honesty we can achieve the first. Nothing less than full commitment to the betterment of the state is required to achieve the second.

For those of you who have heard me testify in committee, this message comes as no surprise. My job as Auditor requires honesty and candor. If I am going to be indifferent, I may as well pack it in and go home.

Sincerely,

Thomas M. Salmon  
Certified Public Accountant  
Vermont State Auditor 12/29/08